

# News Release



***Controller of the State of California - Kathleen Connell***

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**FOR IMMEDIATE RELEASE**

## **STATE CONTROLLER KATHLEEN CONNELL SOUNDS WARNING ON STATE'S CASH FLOW DUE TO ONGOING ENERGY PURCHASES**

### **Connell Details General Fund Balance; Delays Request to Transfer Additional Funds; Announces Audit of Department of Water Resources**

Sacramento, March 21, 2001 – State Controller Kathleen Connell today announced the State's general fund surplus has dropped from \$8.5B to a current estimated level of \$3.2B. As the Chief Financial Officer of California, Connell advised the Davis Administration that its request to transfer an additional \$5.6B could lead to a serious cash-flow crisis, and Connell delayed processing that transfer.

“As Chief Financial Officer of California, I have a responsibility to monitor California’s cash flow, and I am deeply concerned about putting the state’s general fund in a deficit situation in light of the energy crisis,” Connell said.

Today’s developments were in response to a letter received on March 12 from Finance Director Tim Gage and Chief Legislative Analyst Elizabeth Hill. The letter requested a transfer of \$5.6 billion from the State's General Fund to the Special Fund for Economic Uncertainties. In denying the request for transfer, Controller Connell cited a lack of available cash resources without borrowing \$2.4 billion - the first time such borrowing would be needed this fiscal year.

“We started this year with a generous budget surplus. The energy crisis has taken much of that away, and this transfer on top of the electricity purchases would put the fund at risk,” Connell said.

Controller Connell detailed her concerns in a letter to the Governor, and called for the following steps to safeguard taxpayers’ money being used to purchase electricity:

- The Department of Water Resources should notify the Controller of any purchases made and contracts negotiated to date.
- The Department of Water Resources should notify the Controller of any future purchases and contracts within 7 days, regardless of when invoices are submitted.
- Information on purchases in excess of \$55M should be submitted within 24 hours.
- The Department of Finance should be directed to prepare new General Fund cash flow estimates for the next 30 and 60 days, and for the end of the fiscal year.
- The Department of Water Resources should take action to ensure that bond sales are completed by the end of May 2001.

The Controller also presented the State's current cash flow analysis.

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